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UNCLAS ANKARA 003018

SIPDIS

SENSITIVE

STATE FOR E, P, EUR/SE AND EB
TREASURY FOR U/S TAYLOR AND OASIA - MILLS AND LEICHTER
NSC FOR QUANRUD AND BRYZA

E.O. 12958: N/A

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SUBJECT: TURKISH TREASURY RAISES NEXT STEPS ON \$1 BILLION
AID

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1. (SBU) On May 8, Treasury Deputy Undersecretary Aydin Karaoz raised with Acting DCM the next steps on effecting the \$1 billion in U.S. assistance for Turkey. Karaoz said he had just returned from the annual EBRD meeting in Tashkent, where he had briefly discussed the issue with Treasury U/S Taylor. Karaoz said the GOT needed USG guidance on how to proceed.

2. (SBU) Acting DCM said that, while he had not instructions from Washington, the logical next step would be for the GOT to communicate officially its need for the assistance, and its desire to begin talks. Following that, the two side could meet in Washington, so the U.S. side could explain the terms and conditions in the Financial Agreement.

3. (SBU) Karaoz said he would consult with MinState Babacan and provide the GOT view, probably next week. He also raised four specific questions. What is our timing for the first disbursement? Is the northern Iraq cooperation condition a one-time upfront condition precedent or is it a condition for each disbursement? Would a USG team be willing to come to Ankara rather than a GOT team go to Washington? And does the U.S. offer give the GOT the flexibility to choose the grant/loan mix the GOT wants, subject to the \$8/5 billion cap?

4. (SBU) Action request: Embassy requests guidance from Washington agencies on the GOT questions.
PEARSON